



The Commonwealth of Massachusetts Group Insurance Commission



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HCSA AND DCAP PRE-TAX BENEFITS OPEN ENROLLMENT OCTOBER 10 TO NOVEMBER 10, 2006

Dear Payroll Coordinator:

The GIC Open Enrollment period for the Health Care Spending Account (HCSA) and the Dependent Care Assistance Program (DCAP) pre-tax benefits will run from October 10 through November 10, 2006 for 2007 calendar year benefits. Participating in HCSA and/or DCAP can reduce both Federal and Massachusetts state income taxes. The amount elected is deducted from employees' paychecks on a pre-tax basis.

New This Year!: The GIC has selected SHPS (pronounced Ships) as the new plan administrator effective 2007. In order to provide a smooth transition from Sentinel Benefits to SHPS, SHPS will be taking over all claims and reimbursements effective January 1, 2007, including the 2 ½ month grace period. ***All 2006 and 2007 claims should be submitted to SHPS effective January 1, 2007.*** SHPS will automatically send a free SHPS debit card to each HCSA enrollee, so there is no longer a separate debit card application. A participant can obtain additional debit cards at a charge of \$5.00 each, deducted from their account, by calling customer service. The SHPS debit card can only be used for HCSA expenses, not DCAP. The mailing address for SHPS is PO Box 34700, Louisville, KY 40232, telephone number 1-866-862-2422, fax 1-866-643-2219, website: www.myshps.com.

Reminder: The Internal Revenue Service requires that any unused funds must be forfeited at the end of the plan year. However, the IRS provides a 2½ month "grace period" in which participants can spend down unused 2006 contributions. For instance, if the participant has \$100 left over in their HCSA at the end of 2006, the participant may still incur eligible expenses until March 15, 2007 that may be applied to their remaining 2006 HCSA balance of \$100. ***(The SHPS debit card can be used for prior year reimbursements for HCSA expenses. A paper claim form must be submitted for all 2006/2007 DCAP claims.)*** The deadline to submit all receipts to SHPS for the 2006 plan year, including the 2 ½ month grace period, is April 15, 2007.

Your assistance is vital to a successful open enrollment. Please be sure to:

- Familiarize yourself with these programs by reading the enclosed materials.
- Notify all agency employees about this money-saving program by October 10:
 - Distribute the GIC's For Your Benefit newsletter sent at the end of September under separate cover.
 - Photocopy and distribute the enclosed employee letter and display the enclosed poster in a prominent location.
 - Forward to your employees the HCSA/DCAP open enrollment e-mail messages sent to you from the GIC.
- Collect all HCSA/DCAP enrollment forms by Friday, November 10, 2006 (forms and brochures are available on the GIC's website: www.mass.gov/gic.)
- Send the **original** enrollment forms to SHPS by **Monday, November 27**, retaining a copy in the employee's personnel file.
- HR/CMS Agencies and UMass: Enter both the DCAP and/or HCSA and HCSAF deductions into HR/CMS. **Do not use DCAPF fee!** The HCSAF fee is for either or both programs – DCAP and HCSA. The HCSAF will default to the deduction table – **do not** enter a flat amount. The deductions can be entered into HR/CMS beginning December 25 and ending January 5, 2007. Both the DCAP/HCSA and HCSAF deductions will be deducted each pay period. When entering the DCAP/HCSA deductions in HR/CMS be sure to enter a goal amount. The maximum DCAP amount is \$5,000 and the maximum HCSA amount is \$2,500, minimum \$500. The HR/CMS payroll will run on January 9, 2007 and the first 2007 DCAP/HCSA/HCSAF deductions will be in the pay advice of January 12, 2007. For HR/CMS assistance, contact Commonhelp at 1-866-888-2808; website: www.hrcms.state.ma.us.

Questions?

Please contact SHPS with questions: Phone: 1.866.862.2422; fax 1.866.643.2219; website: www.myshps.com.

Thank you for your assistance with making this a successful 2007 open enrollment.

Very truly yours,

Dolores L. Mitchell
Executive Director